

Message Text

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12

ACTION SS-25

INFO OCT-01 ISO-00 /026 W

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R 030700Z FEB 75

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 0064

INFO AMEMBASSY BEIRUT

AMCONSUL DHAHRAN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TOKYO

C O N F I D E N T I A L JIDDA 0769

EXDIS

E.O.: 11652: GDS

TAGS: EFIN, SA, US

SUBJ: FIRST DIRECT SAUDI INVESTMENT IN ENERGY RESEARCH

BEGIN SUMMARY: SAUDIS ARE ABOUT TO MAKE FIRST SMALL BUT
SIGNIFICANT INVESTMENT IN SEARCH FOR NEW ENERGY RESOURCES
TO CONSERVE THEIR PETROLEUM RESERVES FOR FUTURE GENERATIONS.
SMALL BUT HIGHLY ADVANCED COMPANY HAS OFFERED TO SELL
SAUDIS DEBENTURES CONVERTIBLE TO 20 PERCENT OF THE COMPANY.
END SUMMARY.

1. KEEVE M. SIEGEL OF KMS INDUSTRIES OF ANN ARBOR, MICHIGAN,
CALLED ON THE AMBASSADOR JANUARY 30 TO REPORT THAT HE EXPECTS
SAUDI ARABIAN GOVERNMENT WITHIN NEXT FEW DAYS OR WEEKS TO
AGREE TO LOAN HIS ADVANCED ENERGY RESEARCH COMPANY, KMS
FUSION, \$37 MILLION IN RETURN FOR DEBENTURES CONVERTIBLE TO
A 20 PERCENT INTEREST IN THE FIRM. HE SAID THAT GOVERNOR
OF SAMA ABDUL AZIZ QURAISHI HAD EXPRESSED GREAT INTEREST
DURING A TWO-HOUR SESSION THE PREVIOUS EVENING AND HAD
ASKED FOR A FIRM PROPOSAL WHICH WAS DELIVERED TO HIM THAT
MORNING.

2. SIEGEL SAID THAT NEGOTIATIONS HAD BEGUN LATE LAST YEAR

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WHEN HIS COMPANY WAS UNABLE TO RAISE THE NECESSARY SPECULATIVE

CAPITAL TO CONTINUE RESEARCH WHICH IT IS HOPED WILL LEAD TO THE USE OF LASER FUSION TO PROVIDE MUCH OF THE GAS ENERGY NEEDS OF THE U.S. BEFORE 1990. SIEGEL HAD HOPED TO HAVE YAMANI VISIT HIS FACILITY AFTER THE DETROIT ENERGY CONFERENCE, BUT THE MINISTER WAS UNABLE TO DO SO. VISITS BY HIS KMS INDUSTRIES VICE PRESIDENT ROBERT OLSEN LATE IN DECEMBER HAD RESULTED IN CONTINUED CONTRACTS ON THE SUBJECT, AND YAMANI HAD RECENTLY ASKED THE EMBASSY TO HELP ARRANGE A VISIT BY SIEGEL AS SOON AS POSSIBLE AFTER THE ALGIERS CONFERENCE.

3. SIEGEL REMARKED THAT QURAISHI HAD BEEN EXTREMELY WELL BRIEFED ABOUT THE COMPANY AND ASKED THE BEST QUESTIONS OF ANY BANKER IN HIS EXPERIENCE. (QURAISHI TELEPHONED THE AMBASSADOR LATER AND SAID --AS A COMPLIMENT-- THAT SIEGEL APPEARED TO BE MORE OF A SCIENTIST THAN A BUSINESSMAN.) SIEGEL HAD TOLD QURAISHI THAT THERE WAS A CHANCE THAT KMS WOULD BE SUCCESSFUL AND SAUDI ARABIA WOULD MAKE MONEY. THERE WAS EQUALLY A CHANCE THAT KMS WOULD FAIL AND SAUDI ARABIA WOULD LOSE ITS ENTIRE INVESTMENT. BUT IN EITHER CASE SAUDI ARABIA WOULD HAVE ADVANCED THE CAUSE OF SCIENCE AND THE WELFARE OF MANKIND.

4. AGREEMENT PROPOSED WILL INCLUDED POSSIBLE PARTICIPATION BY KMS IN MANUFACTURING SOME ADVANCED WATER PURIFICATION EQUIPMENT IN THE KINGDOM (ONE POSSIBLE KEY FACTOR IN QURAISHI DECIDING TO GO AHEAD WITH THE SPECULATIVE INVESTMENT IN RESEARCH, ACCORDING TO SIEGEL).

5. YAMANI HAD EARLIER MENTIONED SUBJECT TO AMBASSADOR AND SAID THAT THEIR WHOLE INTEREST WAS IN PROVIDING FINANCE FOR ADVANCED RESEARCH IN RISKY AND SPECULATIVE AREAS SO THAT THE U.S. AND THE WORLD ACHIEVE MORE INDEPENDENCE FROM RELIANCE ON PETROLEUM, AND PRESSURE ON SAUDI ARABIA TO PRODUCE ITS OIL WOULD DECLINE.

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